



Thank you for inviting me to discuss the opportunities that Alaska's oil and gas can provide.

This is an important topic, not only for Alaska but also for our entire country—and especially for Washington. Our two states have historically had a close economic interdependence.



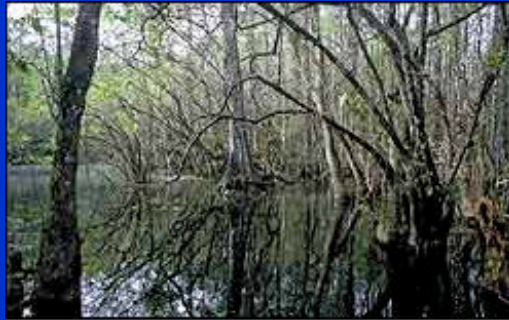
My grandfather, Joe Leman, came through Seattle on his way to Skagway and the Klondike area in 1898. From that Gold Rush to the rise of the commercial fishing industry; advances in air travel; the oil boom of the late 1970s; and growth of our tourism industry, our two states have depended on each other.

A recently published report commissioned by the Seattle and Tacoma-Pierce County Chambers of Commerce documents the impact of this relationship.

Now at more than \$4 billion in exports to Alaska per year, our State is your region's fifth largest trading partner. Your total regional employment from your Alaska connection exceeds 100,000. Up to 70 percent of your Puget Sound refining capacity is supplied by Alaska North Slope oil.

We have been successfully producing oil and gas on Alaska's North Slope for nearly 30 years. Your Senator Maria Cantwell is apparently in the same boat as other Americans who don't know that one-fourth of our nation's wildlife refuges already have oil and gas development in them. In a recent debate in the U.S. Senate she said, "It is foolish to say oil development and a wildlife refuge can coexist." With due respect to your Senator, she and others like her need to get their facts straight.

Oil & Conservation

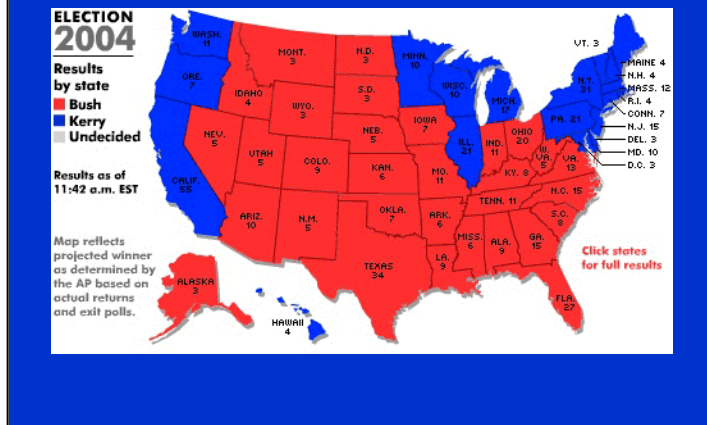


Florida's Big Cypress National Preserve

Oil production in wildlife refuges is taking place right now. Oil has been extracted for nearly 60 years in Florida's Big Cypress National Preserve, in the immediate vicinity of the Everglades National Park. In Louisiana, more than 1,600 oil and gas wells are in wildlife refuges. Drilling is allowed in more than 20 wildlife preserves and refuges.

It is ironic that Alaska, like other western states, was told at Statehood that it could not rely totally on the federal largesse, that we were to develop our landholdings to pay for roads, schools and services. Sadly the federal government has not fully delivered on its commitment to Alaska in our Statehood Compact.

A Common View of Alaska



As Lieutenant Governor I often hear suggestions about how to help others better understand Alaska. I was particularly struck by an initiative started in Fairbanks among school children – who wrote to television stations all over the country asking them to stop perpetuating a myth about our State. Their concern was that every time they watched a national news program Alaska was shown as an island off the coast of California, somewhere near Hawaii. These young Alaskans wrote letters asking that the maps used show Americans where we really are!

I know you in Bellingham don't have the same misconception. You realize that

if Bellingham is the southern terminus of the AMHS, Alaska has to be somewhere to the north! However, a few facts will help your perspective of Alaska.

Alaska's Land



At 586,412 square miles of land, Alaska is 1/5 the size of the rest of the nation. That's larger than Washington, Oregon, California, Idaho and Montana combined!

From east to west Alaska stretches 2,500 miles, the distance from Atlanta to San Francisco. And from north to south, Alaska covers the distance between International Falls, MN and Dallas, TX.

For those of you who are Alex Trebek and Jeopardy fans - Alaska is the farthest north, the farthest west AND the farthest east state in the U.S. Yes, several of the Aleutian Islands are west of the 180th meridian, making Alaska the farthest east as well as the farthest west state.

Nearly 90% of the land in Alaska is publicly owned by federal and State governments.

Alaska's Population

- 650,000 residents
- 1.1 people per square mile
- 29% in rural communities
- Iditarod School District = Ohio

We have the lowest population density of all states, with just over one person per square mile. The U.S. average is 74 people per square mile. One of our 20 State Senate districts contains 100 small communities and is as large as Texas!

The Iditarod School District is larger than the entire state of Ohio. This school district serves only 400 students in nine communities.

Trans Alaska Pipeline - Mile 0



Let me show you a few pictures of Alaska's North Slope where we have our largest oil and gas resources.

The Trans Alaska Pipeline—now nearly 30 years old—delivers oil from Alaska's North Slope. . .

Alyeska Terminal at Valdez - Mile 800



...to port at Valdez—a distance of 800 miles.

From a peak flow of 2+ MMBD in 1989, it now delivers just under 1 MMBD.

Caribou at Prudhoe Bay



Since oil was first discovered near Prudhoe Bay in 1968, Alaska has been at the forefront of Arctic research and development.

Decades of exploration and development have shown that caribou and oil can co-exist. The Central Arctic Herd, which calves in the Prudhoe Bay and Kuparuk fields, has increased from 3,000 to more than 30,000 animals.

North Slope Summer



- Arctic desert
- 10 inches of precipitation
- Cool with continuous daylight

Although dotted by small, shallow lakes, Alaska's North Slope is an arctic desert with just 10 inches of precipitation annually.

The North Slope demonstrates a striking contrast between summer and winter. Summers are relatively cool (40°F) and the sun doesn't set for 75 days.

North Slope Winter



- Temperatures below 0° F
- No sun for 56 days

During the winter months temperatures drop well below 0 °F and the sun doesn't rise for 56 days. Permafrost (permanently frozen ground) exists to a depth of 1,800 feet or more.

The U.S. Fish and Wildlife Service estimates that fewer than 1,500 people visit ANWR each year. Few of these visit the Coastal Plain of the Arctic National Wildlife Refuge (ANWR).

ANWR's Oil Potential

- "The average estimate for economically recoverable oil in ANWR is **10.3 billion barrels. That is double the amount of all the oil in Texas** and almost half the total U.S. proven reserves. When we send our hard-earned money overseas to import oil, we send American jobs and American national security right along with it."

Rep. Richard Pombo (R-CA)

To really understand why the U.S. needs our resources you need to understand these facts and put them in perspective. One of the best reasons is that our resources are huge – and the supplies are domestic.

Arctic National Wildlife Refuge (ANWR)

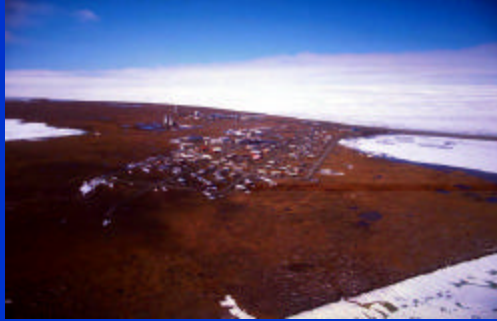


In recognition of its potential, the Coastal Plain of ANWR was set aside in federal legislation in 1980 as a special study area for oil and gas development.

ANWR contains 19 million acres – the size of South Carolina or Maine. However, the Coastal Plain is 1.5 million acres. If exploration proves this area is worth developing, less than 2,000 acres would actually be impacted. For you Seahawks fans, this is like a couple of large pizzas on a football field!

Most geologists agree that the potential for recoveries on the Coastal Plain is on the order of billions of barrels of oil and trillions of cubic feet of gas and that these resources may rival the initial estimates of reserves at Prudhoe Bay. The validity of these estimates can be proved only by exploration, but before this can proceed, Congress and the President need to authorize it.

Kaktovik



This is Kaktovik, the nearest community to the ANWR Coastal Plain. This community of 200 Inupiat Eskimos has been promised access to their lands so they can survive—and have economic opportunity. So far, this has been just an empty promise.

What Do Alaskans Say?



What do their residents say?

In a letter to Senator Joe Lieberman in 2001, the mayor of Kaktovik said, "It is quite evident that you have acted from only the extreme environmentalists' point of view. We consider this action to be extremely dangerous to the continued survival of our people." This represents the feelings of the vast majority of their residents.

What do Alaskans say? More than 71 percent (December 2003 Dittman Research Group poll) favor exploration and production in ANWR.

Why Develop ANWR?

1. Best Chance for Major Discovery
2. Revenues to Treasury
3. Economic Impact
4. Environmental Sensitivities
5. National Security

In summary here are five reasons America needs ANWR oil development:

1. The Coastal Plain is the best opportunity for another giant "Prudhoe Bay-sized" oil and gas discovery in North America. The U.S. Department of Interior estimates that it contains 7 to 16 billion barrels of technically recoverable oil.
2. Federal and State revenues would be enhanced by billions of dollars from bonus bids, lease rentals, royalties and taxes.
3. **More than 250,000 jobs will be created – some in all states of the U.S. Washington can expect 12,000** of these jobs. In the last 10 years alone North Slope oil development and production contributed more than \$95 billion to our nation's economy, directly impacting every state.
4. Application of new technologies has reduced the development footprint. Ice roads and pads make impact negligible. This area will continue to be protected by Alaska's environmental laws, some of the toughest in the nation.
5. The U.S. imports nearly 60 percent of the nation's petroleum, often from countries who do not have our best interests at heart. Oil imports, at current crude prices, cost \$180 billion a year, not including the costs of protecting that imported supply. Consumers in the U.S. are paying \$2.00–\$3.00+ per gallon for gasoline. In some remote communities in Alaska, the cost for gasoline exceeds \$5.00 per gallon. Increasing domestic supply will better ensure that our consumers are protected from price increases.

Prospects in Washington, D.C.

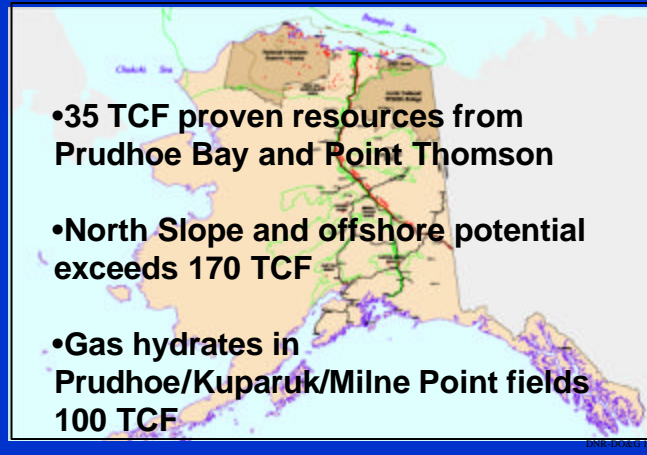


Even our opponents acknowledge this project is technically feasible, but our greatest challenges have been in Washington, D.C..

Alaskans and our team in Congress are committed to opening the Coastal Plain of ANWR to exploration and development. In last November's election, Congress was reinforced with members who understand wise use of our resources. Right now may be the best opportunity we have seen in 16 years. The 51-49 vote on March 16 on Senator Cantwell's budget reconciliation amendment was huge for Alaska. We know that the battle is not yet over—yet are cautiously optimistic.

We know your Senators Murray and Cantwell are dug in as opponents. They have repeatedly declined our Governor's invitations to visit the Coastal Plain and see firsthand this area of national importance. They probably aren't going to change—at least not this year. However, we need your help with members of your House delegation and others in Congress who take a more reasoned approach to this issue. I want to be fair to this area's Congressman Rick Larsen, who has, I understand, visited the ANWR Coastal Plain. Now we just need his support!

Alaska's Gas Resources

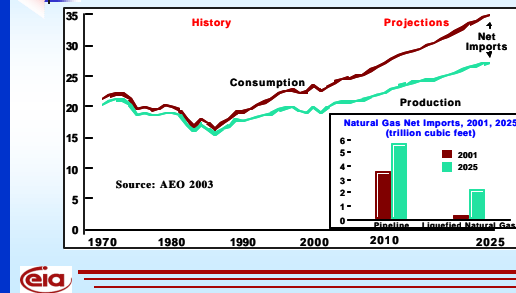


I want to shift gears and talk for a few minutes about Alaska's North Slope gas—and how it too can help our nation.

Today Alaska provides 16 percent of the total U.S. oil production, but almost none of the nation's natural gas. And yet our gas resources are also huge. We have 35 TCF of proven reserves on the North Slope and with new technologies, they may exceed 200 TCF. These are the largest reserves in North America.

Alaska's Gas Will Reduce Imports

Natural Gas Supply, Consumption, and Imports
Are Projected to Expand Through 2025
(1970-2025, trillion cubic feet)



Supply and demand is having an effect. Parts of the U.S. this winter and last winter have seen gas prices at \$9+ per MMBTU in the spot market. Gas demand in the U.S. is expected to grow substantially for decades. Current domestic supplies and imports will not be adequate to meet future demand. Rocky Mountain gas, LNG imports, increased Gulf of Mexico production and Alaska gas will be needed.

Federal Legislation, 2004

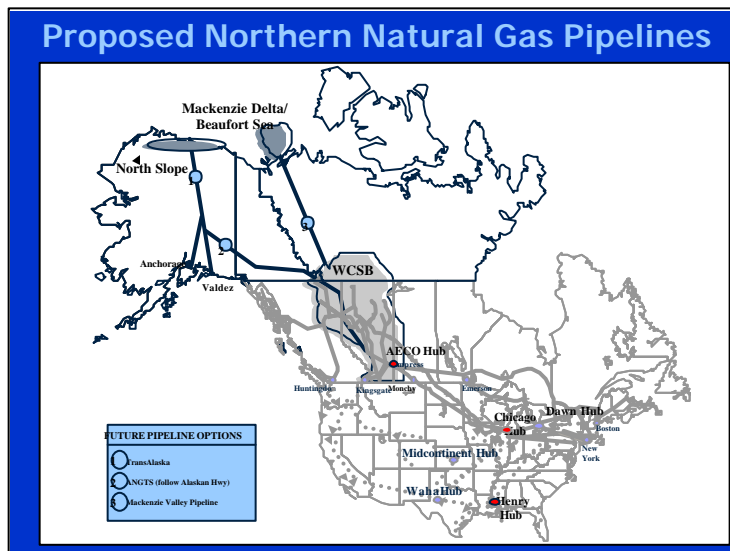
- Regulatory streamlining
- Expedited judicial review
- Loan guarantees
- 7-year accelerated depreciation
- Investment tax credit for gas treatment plant

Last October Congress recognized the importance of our gas project by passing legislation providing loan guarantees, expedited permitting and judicial review, accelerated depreciation for a pipeline and an investment tax credit for a gas treatment plant. President Bush signed this legislation. These federal incentives remove some of the risk.

State Incentives



Under an Alaska law called “The Stranded Gas Act” our Administration is actively negotiating with two sponsor groups on fiscal terms and conditions to deliver gas from the North Slope to the contiguous states.



These projects would construct a gas conditioning facility and a pipeline from the North Slope to Fairbanks and then follow the Alaska Highway to Alberta—a total length of 2200 miles. It would use either existing pipeline infrastructure or construct an add-on 1400-mile pipeline to Chicago. Initially the pipeline would deliver 4.5 BCF/day (7 percent of current US consumption) with the ability to be expanded to 5.6 BCF/day through additional compression.

Less than two weeks ago a third application was submitted to the State--by the Alaska Gasline Port Authority with its partner Sempra Energy. This team proposes to buy 4 BCF/day of North Slope gas initially, send it by pipeline to Valdez, liquefy it and ship it by tanker to West Coast markets for regasification and distribution.

Geologic assessments suggest the North Slope holds sufficient gas for both projects. In fact, they could share the same infrastructure as far as Delta Junction, southeast of Fairbanks.

The State of Alaska has so far expended more than 35,000 employee hours and \$11 million for contractor and legal services on a gas project. Yet, our costs are small compared to the projected cost of constructing a gas project--between \$16 and \$20 billion, and the potential revenues from it.

“Environmental” Roadblocks



Exploration and development in the Coastal Plain of ANWR have been held up for 24 years primarily because of national politics. Although Alaskans are strongly supportive, too many in Congress, particularly in the Senate, have accepted assertions that we don't know how to care for our environment. That, of course, just isn't true.

Time for Action!



On the other hand, commercialization of Alaska's North Slope gas has been held up by economics. The project is huge - and the risks substantial. With increases in gas demand and its price, and assumption of some of the risk by both the federal and State governments, we believe the time has come.

We are evaluating how the State or its residents might take an equity position in the project. The State is also considering assuming shippers' risk--for our royalty share of the gas. The Alaska gas project will provide 50 years or more of secure supplies for America with stability and security not achievable through complete dependence on imported gas.

Our Children - Our Future



We've been at this for more than 20 years. Perhaps the colder climate in Alaska makes us more resilient. These young Alaskans want the same thing as most of you and your neighbors-- hope and opportunity. With wise investment and development, we can provide that to them, plus revenues to our State and jobs and secure energy for America.

Please learn about these projects and express your support for them to your Congressional delegation. We need your help—and you need ours!